

## **Item 1 – Cover Page**

### **Hana Road Capital LLC**

Hana Road Capital LLC CRD #145884

Walter F. Walker CRD #1777344

### **Part 2A of Form ADV Firm Brochure**

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This brochure provides information about the qualifications and business practices of Hana Road Capital LLC. If you have any questions about the contents of this brochure, please contact us at 206-223-8550 and/or via e-mail at [jford@hanaroadpartners.com](mailto:jford@hanaroadpartners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Hana Road Capital LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

**June 28, 2012**

## Item 2 Material Changes

Our Brochure dated, March 30, 2011 has been amended dated June 28, 2012. Changes to the Brochure are as follows:

- Addition of CRD # to Cover Page
- Addition of Walter F. Walker's CRD # to Cover Page
- Removal of the withdrawal fee previously stated in Item 4 Advisory Business
- Addition of assets under management in Item 4 Advisory Business
- Change to language in Item 7 Types of Clients
- Change to language in Item 8 Methods of Analysis, Investment Strategies and Risk of Loss
- Addition of WA rule WAC 460-24A(106) in Item 13 Review of Accounts

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Our Brochure may be requested by contacting the Adviser at 206-223-8550 or by email at [jford@hanaroadpartners.com](mailto:jford@hanaroadpartners.com)

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#### Item 4 Advisory Business

Hana Road Capital is a limited liability company, the General Partner manages the affairs and operations of Hana Road Partners, which is a Delaware limited partnership and is only offered to accredited and qualified investors, defined by Regulation D, by way of a private offering circular. We provide the following service for the fund and do not tailor to the individual needs of clients. The minimum investment amount, 2,000,000, may be waived at the discretion of the General Partner.

##### **Hana Road Partners LP:**

The Partnership invests in and trades Securities, consisting principally, but not solely, of equity and equity-related Securities that are traded publicly in U.S. markets. The Partnership also may invest in preferred stocks, convertible Securities, warrants, rights, options (including covered and uncovered puts and calls and over-the counter options), swaps and other derivatives instruments, bonds and other fixed income Securities, non-U.S. Securities, non-U.S. currencies, futures, options on futures, other commodity interests, private Securities and money market instruments. The Partnership also engages in short selling, margin trading, hedging and other investment strategies.

The Partnership will primarily invest in value-oriented equities, both U.S. and international. It generally expects to hold core positions in approximately ten to twenty equities, intended for long holding periods, low transaction costs and tax efficiencies. Following its value proposition the General Partner seeks to invest in businesses, not just stocks, at a discount to their intrinsic value and/or growth prospects.

The General Partner expects to augment the performance of the Partnership's core equity portfolio with some shorter term investments that will include the use of derivatives, hedges and, at times, leverage. The Partnership may hold a large percentage of cash, if value criteria are not met and may be more than 100% invested where there is a preponderance of good value in which to be invested. The General Partner generally expects the Partnership to be net long.

An investment in the Partnership should be considered a long-term investment. The Partnership is not intended to meet investor's short-term financial needs or to provide a complete or balanced investment program.

A Limited Partner, on at least 30 days' advance written notice to the General Partner, may withdraw all or part of its Capital Account balance as of the last day of any calendar quarter. Any amount that a Limited Partner withdraws is reduced by the Special Profit Allocation allocable to the General Partner on the withdrawal date with respect to the amount withdrawn.

If a Limited Partner makes a withdrawal, subject to the limitation on payments relating to Illiquid Securities described below, the Partnership pays the withdrawing Limited Partner, within 30 days after the effective date of the withdrawal, an amount equal to the lesser of the amount to be withdrawn and 90% of the General Partner's estimate of the balance of that Limited Partner's Capital Account as of the effective date of withdrawal. The Partnership pays the balance, if any, of the amount withdrawn as soon as the General Partner determines that it is reasonably practicable after the Partnership receives financial statements for the Fiscal Year in which the withdrawal occurs (such balance does not bear interest and is not considered to be invested in the Partnership). The total withdrawn amount may not exceed the aggregate balance of the Limited Partner's Capital Account as shown on the Partnership's

financial statements for the Fiscal Year in which the withdrawal occurs and the Limited Partner must repay the Partnership any excess in cash.

The General Partner may waive or permit exceptions to the foregoing withdrawal restrictions and procedures for any Limited Partner.

Withdrawals are subject to income tax withholding if and to the extent required by law.

As of June 28, 2012, assets held by the Adviser were as follows:

Hana Road Partners LP - \$23,477,445

## Item 5 Fees and Compensation

Adviser provides investment advice and management to individually managed accounts and investment limited partnerships. Adviser holds a limited power of attorney to act on a discretionary basis with client funds. Client funds are deposited in either a brokerage firm or a bank custodian account.

Adviser generally requires a minimum of \$2,000,000 to open an individually managed account, but reserves the right to waive this minimum.

**Management Fee:** Compensation provided to Adviser is negotiable and varies, but typically consists of the following components. Adviser charges an annual fee of 1.5% of assets under management, which amount is payable in monthly installments at the beginning or end (depending on the provisions of each client's account agreement) of each month based on the net market value of the client's account on the date the fee accrues and becomes payable.

**Special Profit Allocation:** The General Partner receives a Special Profit Allocation with respect to each Limited Partner of 20% of the amount by which Profits (including realized and unrealized gains and losses) of the Partnership otherwise allocable to that Limited Partner in the applicable measurement period exceed that Limited Partner's Un-recouped Losses. This is sometimes referred to as a "high water mark". The Special Profit Allocation is made with respect to each Limited Partner at the end of each Fiscal Year (and on withdrawal of funds by or distribution of funds to a Limited Partner during a Fiscal Year).

Performance fees and performance allocations are assessed in arrears on a quarterly or annual basis, and are only applied to profits that exceed the cumulative losses previously incurred by or allocated to the respective clients. Adviser complies with Rule 205-3 under the Investment Advisers Act of 1940, as amended, to the extent required by applicable law. Client accounts that invest in mutual funds will also pay, indirectly, investment advisory fees to the manager of those mutual funds.

The charging of performance fees may provide an incentive to the Adviser to engage in riskier trading strategies in order to earn the additional fee.

Except as may be otherwise negotiated in particular cases, a client may terminate an individually managed account by giving 30 days' written notice. Relationships with Adviser's investment partnership clients are terminable on expiration of the term of the partnership or dissolution of the partnership pursuant to the terms of its partnership agreement or on Adviser's withdrawal as general partner of that partnership, and each limited partner is able to withdraw from a partnership, on specified prior written notice, on the last day of any calendar quarter.

In all cases, expenses, the pro rata portion of the annual fee and the performance fee or allocation through the date of termination are charged to the client. All prepaid but unearned advisory fees are refunded to the client on termination of an account.

An Independent Administrator calculates all performance-based fees and performs certain financial, accounting administrative and other services on behalf of the Partnership, including preparing interim

financial statements, calculating the Partnership's investment performance, calculating any fees payable to the Adviser, and preparing interim reports for the limited partners.

## Item 6 Performance-Based Fees and Side-By-Side Management

Adviser only manages accounts that pay performance compensation. There are no conflicts of interest as simultaneous management does not occur.

Performance based compensation is outlined in Item 5 Fees and Compensation.

## Item 7 Types of Clients

The Adviser will sell Interests only to accredited investors, as defined by Regulation D. All of our clients are sophisticated investors who are qualified and accredited. A minimum investment of 2,000,000, which may be waived at the discretion of the General Partner, is required. Our Limited Partners consist of the following:

- (a) Individuals: If the purchaser is an individual, the purchaser must represent that he or she is an accredited investor as defined by Regulation D.
- (b) Trusts: A revocable trust (including an individual retirement account, that is, an IRA) generally will be treated as an accredited investor if each grantor is an accredited investor and the grantors may amend or revoke the trust at any time. An irrevocable trust generally will be treated as an accredited investor if (1) it has total assets in excess of \$5,000,000 and was not formed for the specific purpose of acquiring Interests, and its investment in Interests is directed by a person experienced in financial and business matters who is capable of evaluating the merits and risks of such investment, or (2) the trustee of the trust is a bank, and the bank makes the decision to invest in Interests on behalf of the trust.
- (c) Certain Plans: An employee benefit plan within the meaning of Title I of ERISA will be treated as an accredited investor if (1) it is a Plan, all of whose participants are accredited investors, (2) it is a Plan and the investment decision is made by a plan fiduciary that is either a bank, insurance company or registered investment adviser, (3) it has total assets in excess of \$5,000,000 or (4) it is a self-directed Plan, with investment decisions made solely by persons who are accredited investors.
- (d) Other Entities: Any organization described in Code section 501(c) any corporation, partnership, limited liability company and most other business entities not formed for the specific purpose of acquiring Interests with total assets in excess of \$5,000,000 will be considered an accredited investor.

The Adviser may reject any prospective investor for whom it appears that Interests may not be a suitable investment or for any other reason regardless of whether the prospective investor meets the suitability standards.

## Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

The Adviser invests in and trades Securities, consisting principally, but not solely, of equity and equity-related Securities that are traded publicly in U.S. markets. The Adviser also may invest in preferred stocks, convertible Securities, warrants, rights, options (including covered and uncovered puts and calls and over-the counter options), swaps and other derivative instruments, bonds and other fixed income Securities, non-U.S. Securities, non-U.S. currencies, futures, options on futures, other commodity interests, private Securities and money market instruments. The Adviser also engages in short selling, margin trading, hedging and other investment strategies.

**Investment Philosophy:** The Adviser will primarily invest in value-oriented equities, both U.S. and international. It generally expects to hold core positions in approximately ten to twenty equities, intended for long holding periods, low transaction costs and tax efficiencies. Many equity funds profess to be long-term oriented, but in fact, most succumb to the temptations of current sentiment. Following its value proposition the Adviser seeks to invest in businesses, not just stocks, at a discount to their intrinsic value and/or growth prospects. The value metrics will not be rote, but consist mainly of a combination of high free cash flow yields, low price to growth (PEG) ratios, increasing sales growth and operating margins, and a return on equity (ROE) in excess of 20%. The Adviser has a bias towards “franchise” businesses, which it believes are less vulnerable to margin pressures, and a preference for companies that pay cash dividends. The Adviser also prefers Securities that have a nearer term catalyst for price appreciation, but it also invests in what it believes are undervalued Securities without any discernible catalyst. The gating mechanism is an analysis of asymmetric risk/reward, that the Adviser hopes will increase the probability of excess return and downside protection. While many investors believe themselves to be contrarian, in reality most are uncomfortable being in the minority. The Adviser will search for value, even when it is lonely, with a bottoms up analysis discipline.

The Adviser expects to augment the performance of the Partnership’s core equity portfolio with some shorter term investments that will include the use of derivatives, hedges and, at times, leverage. Hedging, including shorting, will be used to reduce market/industry risk and to supplement returns. The Partnership may hold a large percentage of cash, if value criteria are not met and may be more than 100% invested when there is a preponderance of good value in which to be invested.

**Risk of Loss:** The Adviser has broad discretion to use any Securities trading or investment techniques, whether or not contemplated by the expected investment strategies and criteria described above. Depending on conditions and trends in Securities markets and the economy generally, the Adviser may pursue any other objectives or use any other techniques that it considers appropriate and in the best interest of the Partnership. Further, many of the investment techniques and activities described above are high-risk activities that could result in substantial losses. Consequently, only experienced and sophisticated persons who are able to risk losing all of their investment should invest in the Partnership and withdrawal restrictions may apply. Investors should carefully read the confidential Hana Road Partners LP Offering Circular.

#### Item 9 Disciplinary Information

Adviser has never had any Criminal Action, Regulatory Action, or Civil Action taken against it.

Adviser has never been involved in a violation of its rules, or had its authorization to do business denied, suspended, revoked or restricted.

Item 10 Other Financial Industry Activities and Affiliations

Neither the Adviser nor Mr. Walker has any other financial affiliations.

#### Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Code of Ethics includes general requirements that Adviser's supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interests and confidentiality of client information. It requires supervised persons to report their personal securities transactions and holdings quarterly to Adviser's Compliance Officer, and requires the Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to Adviser's compliance Officer. Each supervised person of Adviser receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received the materials. Annually, each supervised person must certify that he or she complied with the Code of Ethics during that year. Clients and prospective clients may obtain a copy of Adviser's Code of Ethics by contacting Walter F. Walker at Hana Road Capital LLC, 1420 Fifth Avenue, Suite 3660, Seattle, WA 98101 (206) 223-8550.

Under Adviser's code of Ethics, Adviser and its managers, members and employees may personally invest in securities of the same classes as are purchased for clients and may own securities of issuers who securities are subsequently purchased for clients. Except as described in Item 12 Brokerage Practices and Item 14 Client Referrals and Other Compensation regarding aggregating securities transactions, if an issue is purchased or sold for clients and any of the Adviser and its managers, members and employees on the same day, either the clients and Adviser and its managers, members and employees must pay or receive the same price, or the clients must receive the more favorable price. Adviser and its managers, members and employees considerations aside from company or industry fundamentals, which Adviser does not deem appropriate to buy or sell for clients.

## Item 12 Brokerage Practices

The Adviser generally allocates portfolio transactions for the Partnership and Other Accounts to securities brokers and FCMs based on best execution and in consideration of certain services that benefit the Adviser, its Affiliates, the Partnership and the Other Accounts that are paid for or provided by those brokers. These services may include, among other things, research services, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, research conferences, general reports, consultations, performance measuring data, on-line pricing, special execution capabilities, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, willingness to commit capital, knowledge of other buyers and sellers, order of call, offering to the Adviser on-line access to computerized data regarding clients' accounts, clearance, settlement, reputation, financial strength and stability, efficiency of execution and error resolution, the availability of stocks to borrow for short trades, confidentiality, custody, recordkeeping and similar services, and other matters involved in the receipt of brokerage services generally. The Adviser also may purchase from a broker or FCM or allow a broker or FCM to pay for all or a portion of the Partnership's or the Adviser's or their Affiliates' costs and expenses of operation, such as newswire and data processing charges, proxy voting services, quotation services, periodical subscription fees, all costs and expenses of offering and selling Interests and communicating with existing and prospective Limited Partners (including travel expenses, such as airfare, hotel accommodations and meals), all accounting and administrative fees (including the expenses of the accounting and bookkeeping services of the Administrator or any similar third party vendors that provide such service), legal fees and the like. Accordingly, the Partnership may be deemed to be paying for research and these other services with "soft" or commission dollars, as well as profits that brokers make on principal transactions.

The Adviser may cause the Partnership to pay a brokerage commission in excess of that which another broker or FCM might charge for effecting the same transaction in recognition of the value of the brokerage, research, other services and soft dollar relationships provided by that broker or FCM. The Adviser also may direct Partnership brokerage transactions to brokers and FCMs who refer prospective investors to the Partnership or the Other Accounts.

Section 28(e) of the 1934 Act provides a "safe harbor" to investment advisers who use commission dollar

Item 13            Review of Accounts

All accounts are managed and reviewed weekly if not daily by Walter F. Walker, Principal. Asset allocation, cash management, market prospects and individual issue prospects are considered. Particular attention is given to changes in company earnings, industry outlook, market outlook and price levels.

Clients receive quarterly letters stating performance and an annual letter stating performance and investment outlook.

Clients also receive monthly statements generated by an Independent Administrator.

The Partnership has a fiscal year end of December 31<sup>st</sup>. The General Partner will cause the Partnership to send all limited partners monthly statements as well as a written quarterly report. In addition, within 120 days of the Fund's fiscal year end, audited financial statements for its activities including a balance sheet, statements of income and a statement of each partner's capital accounts prepared by an Independent Accountant and in accordance with generally accepted accounting & auditing principles and tax information necessary for completion of their tax returns.

Additionally, the Partnership is in compliance with safekeeping requirements under WAC 460-24A(106).

Item 14            Client Referrals and Other Compensation

Adviser may direct a certain amount of brokerage to a broker in return for the broker's referral of prospective clients. The direction of brokerage to a broker in exchange for investor referrals creates a conflict of interest in that Adviser has an incentive to refer its clients' brokerage business to brokers to which it might not otherwise direct its brokerage transactions. Adviser may also engage solicitors to whom it pays cash or a portion of the advisory fees paid by clients referred to it by those solicitors. In such cases, this practice is disclosed in writing to the client and Adviser complies with the other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended, to the extent required by applicable law.

Item 15            Custody

Adviser is an adviser to a hedge fund and complies with state custody rule by sending investors annual audited financial statements as set forth in Item 13.

We are deemed to have custody of client assets and securities since we have the authority to obtain those assets (through deduction of fees or the ability to write checks or withdraw funds from the client account), or it acts in a capacity that affords the adviser legal ownership of or access to the client assets. We are required and maintain assets with a qualified custodian and send account statements to our clients. The fund's account is held at Goldman Sachs.

In addition, we follow standard practices by having an independent representative verify all funds withdrawn from accounts.

Item 16            Investment Discretion

Adviser has the authority to determine, without obtaining specific client consent, the:

- (1) Securities to be bought or sold
- (2) Amount of the securities to be bought or sold
- (3) Broker or dealer to be used
- (4) Commission rates paid

Adviser is authorized to enter into any type of investment transaction that it deems appropriate for its clients, pursuant to the terms of the partnership or other account agreement. Adviser does not currently advise clients on any types of investments other than those identified in this section.

Item 17            Voting Client Securities

Adviser will vote all proxies on behalf of each account over which Adviser has proxy voting authority based on Adviser's determination of the best interests of that account. In determining whether a proposal serves the best interests of an account, Adviser will consider a number of factors, including the economic effect of the proposal on shareholder value, the threat posed by the proposal to existing rights of shareholders, the dilution of existing shares that would result from the proposal, the effect of the proposal on management or director accountability to shareholders, and, if the proposal is a shareholder initiative, whether it wastes time and resources of the company or reflects the grievance of one individual. Adviser will abstain from voting proxies when Adviser believes that it is appropriate.

If a material conflict of interest over proxy voting arises between Adviser and a client, Adviser will vote all proxies in accordance with the policy described above. If Adviser determines that this policy does not adequately address the conflict of interest, Adviser will notify the client of the conflict and request that the client consent to Adviser's intended response to the proxy solicitation. If the client consents to Adviser's intended response or fails to respond to the notice within a reasonable period of time specified in the notice, Adviser will vote the proxy as described in the notice. If the client objects to Adviser's intended response, Adviser will vote the proxy as directed by the client.

A client can obtain a copy of Adviser's proxy voting policy and a record of votes cast by Adviser on behalf of that client by contacting Walter F. Walker at Hana Road Capital LLC, 1420 Fifth Avenue, Suite 3660, Seattle, WA 98101, (206) 223-8550.

Item 18 Financial Information

Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Item 19 Requirements for State-Registered Advisers

We maintain our principal office, place of business and the appropriate books and records required in the State of Washington. We file through the Investment Adviser Registration Depository (IARD), in accordance with applicable IARD requirements.

Biography of our portfolio manager is as follows:

Walter F. Walker, born 1954

Education:

University of Virginia; BA Psychology; 1976

Stanford University Graduate School of Business; MBA; 1987

Chartered Financial Analyst, 1992

As a member of the CFA Institute, Mr. Walker has pledged to adhere to the CFA code of ethics & standards of professional conduct. He completed the CFA program in 1992 and is an active member of the Seattle CFA Members Society. He has more than 4 years of qualified investment work experience as mandated by the CFA Institute.

Business Background:

2007 – Present; Hana Road Capital LLC, Seattle, WA; Principal

2001 – 2006; Seattle SuperSonics, Seattle Storm; Chief Executive Officer and President